IX

Benjamin Franklin as an Economist

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History is Past Politics and Politics are Present History.—*Freeman*

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IX

BENJAMIN FRANKLIN AS AN ECONOMIST

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PREFACE.

In the works of so versatile a writer as Franklin expressions of opinion can be found upon nearly every topic in the entire economic field. The purpose of this monograph has been not to weave together fragmentary expressions into an artificial whole, but rather to present such of Franklin's views as seem fairly entitled to the rank of economic theories.

Emphasis has been laid upon Franklin's strictly economic doctrines to the neglect of his political or socio-philosophical theories, such as the nature of civil society or the functions of the state.

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BENJAMIN FRANKLIN AS AN ECONOMIST.

I.—ECONOMIC WORKS OF FRANKLIN.

Probably nothing from Franklin's ready pen was written in a purely scientific spirit. Whatever discoveries he made, whatever improvements he suggested, whatever he contributed to the literature of the day, he did it all "to extend the power of man over matter, avert or diminish the evils he is subject to, or augment the number of his enjoyments."[1] Whether we are studying Franklin the Electrician, the Economist, or the Politician, it is impossible to turn to any really finished and extended treatise, for his busy life would not allow the leisure necessary to construct such a work. His contributions to economic science must be drawn from various sources. There are first of all a number of essays containing a mixture of economics and politics. These were called out by the politics of the time in which they were written, and usually appeared in current periodicals either in this country or abroad. Some of them were afterwards reprinted and distributed by Franklin among men with whom they would do the most good. In order that we may comprehend the full import of these essays we must give them their proper historic setting.

For our purpose we may divide the life of Franklin into three parts: (1) Franklin the Editor, 1706-1757. It was during this time that *Poor Richard's Almanac* was published in connection with the *Pennsylvania Gazette*. With the exception of a brief residence in London in 1724, Franklin lived in Pennsylvania during this period. (2) Franklin the Advocate, 1757-1775. In 1757 Franklin was sent to England by the Pennsylvania Assembly to present a petition to the King with reference to the disputes between the Proprietors and

[1] Letter to Sir Jos. Banks, President of the Royal Society, London, Sept. 9th, 1782, *vid. Works*, (Bigelow ed.), vol. VIII., p. 169.

the Assembly. Later, as matters in the colonies grew more serious, he was appointed colonial agent for Massachusetts, New Jersey and Georgia, so that he was kept in London almost continuously until 1775. This period brought forth some of the most valuable of his economic pamphlets. (3) Franklin the Diplomatist, 1775-1785. During this period Franklin resided in France, where, one dare almost say, his diplomatic services contributed as much to the cause of American independence as did the military services of Washington.

Franklin was born in Boston in 1706. Seventeen years later we find him walking up Market street, Philadelphia, "with a roll under each arm, and eating a third," as he expresses it in his *Autobiography*.[1]

The year that Franklin arrived in Philadelphia marked the first issue of paper money in Pennsylvania. Many erroneous views were still held by the statesmen of his time concerning trade and money. Only that country was considered prosperous which could show a balance of trade in its favor. It was deemed unwise to allow gold or silver coin to be exported from the country. Colonies were considered beneficial to the mother country only in so far as they exchanged gold and silver coin for the finished products of the mother country, while trade laws were passed which attempted to mark the only channels through which colonial trade could flow. When there is added to this fact increased demand for money in our new and rapidly developing country, one can easily see why the colonists were continually clamoring for more currency. Massachusetts led the way in 1690.[2] New York, Rhode Island and South Carolina quickly followed. Pennsylvania followed very cautiously in 1723.[3] Two issues were made in this year, one of £15,000, the other

[1] Bigelow edition, p. 112.

[2] *Vid. Proceedings of Massachusetts Historical Society* for 1862-1863, p. 428.

[3] For a full account of the early history of paper money in Pennsylvania, *vid.* Proud's *History of Pennsylvania*, vol. II., p. 171 *et seq.*

of £30,000. £4,000 of this currency were intended to pay the debts of the colony. The rest was issued for the benefit of the people. In order that the currency might be amply protected it was secured in the loan office either by a deposit of plate or by a mortgage on real estate or ground rents. In no case did the amount issued to an individual borrower exceed one-half of the value of the security deposited. In order that the benefit might be as general as possible, no one could borrow more than £100. Borrowers were charged 5% interest, and were compelled to return to the treasury one-eighth of the principal annually. All the notes were to be called in at the end of eight years, that is, in 1731. As early as 1729 men began to discuss the desirability of another issue. The arguments for and against a cheap money used at that time bear a strong resemblance to the arguments on the same subject current in the papers at the present day. It was at this time that Franklin's *Modest Inquiry into the Nature and Necessity of a Paper Currency* appeared.[1] Although written in the spirit of the practical politician, it contains, as we shall see, some sound economic principles. Our respect for Franklin's sagacity is increased when we remember that at that time he was only twenty-three years old.

The state of affairs in Pennsylvania at the beginning of the eighteenth century is best described in Franklin's own words:[2]

"About this time there was a cry among the people for more paper money, only £15,000 being extant, and that soon to be sunk. The wealthy inhabitants opposed any addition, being against all paper currency from the apprehension that it would depreciate as it had done in New England, to the injury of all creditors. We had discussed this point in our Junto,[3] where I was on the side of an addition, being per-

[1] Ingram (*History of Political Economy*, p. 171) incorrectly dates this publication 1721.

[2] *Vid. Autobiography*, (Bigelow ed.), p. 185.

[3] The Junto was a debating society organized in 1720 by Franklin among his Philadelphia friends "for mutual improvement." Half a century later it became the American Philosophical Society, of which Franklin was the first President. This society contributed much to the advancement of pure science.

suaded that the first small sum struck in 1723 had done much good by increasing the trade, employment and number of inhabitants in the province. . . . Our debates possessed me so fully of the subject that I wrote and printed an anonymous pamphlet on it, entitled 'The Nature and Necessity of a Paper Currency.' It was well received by the common people in general, but the rich men disliked it, for it increased and strengthened the clamor for more money, and they happening to have no writers among them that were able to answer it, their opposition slackened and the point was carried by a majority in the House." He adds, very naïvely: "My friends there, who considered I had been of some service, thought fit to reward me by employing me in printing the money, a very profitable job and a great help to me."

The next twenty-five years of colonial history show plainly the beginnings of the political trouble which came to a crisis in 1776. Through this entire period we find Franklin, as a loyal subject of Great Britain, doing all in his power to strengthen the tie between the mother country and the colonies. Now we find him pledging his own property for the payment of horses and wagons for the Braddock campaign. Now he is a delegate to the Albany Convention, where he suggests a Plan of Union for the colonies.[1]

One of the bones of contention between England and her colonies was the subject of manufactures. England had for many years excluded the colonies from the carrying trade. As early as 1724 complaint was entered by British shipbuilders, supported by the Board of Plantations, that their trade was declining through the increase of ship-building in New England. It was maintained that workmen were emigrating and that there was "danger that this most important trade for the maintenance of our navy would be transplanted

[1] This plan of union, which was one of his pet schemes, "the Assemblies did not adopt, as they all thought there was too much *prerogative* in it; and in England it was judged to have too much of the *democratic*."

to the New England colonies."[1] English statesmen advocated earnestly the policy of prohibiting colonial manufactures. It was argued that the colonists should raise raw materials and possibly manufacture enough for their own consumption, but not for the general market. The exportation of woolen manufactures from one colony to another was even prohibited by Parliament in 1699. The manufacture of hats, the material for which was abundant in the New England colonies, was also most vigorously restricted. In 1750 a committee of the House of Commons, with Charles Townshend as its chairman, undertook to inquire into the subject of iron manufactures. The ironmongers and smiths of Birmingham prayed that from "compassion to the many thousand families in the kingdom who otherwise must be ruined, the American people" might be subjected to such restrictions "as may secure forever the trade to this country." Townshend's committee introduced a bill which allowed American ore to be admitted free of duty, but which forbade the erection of "any mill for slitting or rolling iron, or any plating forge to work with a tilt-hammer, or any furnace for making steel," because the "nailers in the colonies could afford spikes and large nails cheaper than the English." The proposal to demolish every slitting mill in America was lost by a bare majority. As a compromise the House insisted that no more new mills be erected and that every existing mill must give a full account of the extent of its manufactures. This was in 1750. In 1751 appeared a strong article from Franklin's pen, entitled *Observations concerning the Increase of Mankind and the Peopling of Countries.*[2] This essay marks an important epoch in the history of the theory of population. Godwin, Malthus, Adam Smith, all used it in treating this subject. Yet it was not population, but manufactures, that called out the article. Not the "love of

[1] *Vid.* Cunningham's *Growth of English Industry and Commerce*, vol. II., p. 329; also Bancroft's *History of United States*, ed. of 1883, vol. II., p. 356.

[2] *Vid. Works*, (Bigelow ed.), vol. II., p. 223.

truth," but Townshend's bill, inspired Franklin to write this paper. After showing that in America "our people must at least be doubled every twenty years," he insists that "notwithstanding this increase, so vast is the territory of North America that it will require many ages to settle it fully; and till it is fully settled, labor will never be cheap here, where no man continues long a laborer for others, but gets a plantation of his own; no man continues a journeyman to a trade, but goes among those new settlers and sets up for himself. Hence labor is no cheaper now in Pennsylvania than it was thirty years ago, though so many thousand laboring people have been imported." On account of this dearness of labor, he argues that England need not fear American competition in manufactures in foreign markets. Therefore, he says, "Britain should not too much restrain manufactures in her colonies. A wise and good mother will not do it. To distress is to weaken, and weakening the children weakens the whole family."[1] He says elsewhere:[2] "It is the multitude of poor without land in a country, and who must work for others at low wages or starve, that enables undertakers[3] to carry on a manufacture."

Before we close the first period of Franklin's life we must speak of one more article. In 1732 appeared the first number of *Poor Richard's Almanac*. It was published annually thereafter for twenty-five years. These almanacs are a strange combination of sense and nonsense. In one of them he makes the following apology for its miscellaneous character: "Be not thou disturbed, O grave and sober reader, if among the many serious sentences in my book thou findest me trifling now and then and talking idly. In

[1] This paper was printed in Boston in 1755. The same year it was reprinted in London. In 1760 it appeared in the *Annual Register*, of which Edmund Burke was the editor.

[2] *Interest of Great Britain Considered*, *Works*, (Bigelow ed.), vol. III., p. 86.

[3] On the use of the word *undertaker*, *vid.* also *Works*, (Bigelow ed.), vol. IV., p. 337.

all the dishes I have hitherto cooked for thee, there is solid meat enough for thy money. There are scraps from the table of wisdom that will, if well digested, yield strong nourishment for the mind. But squeamish stomachs cannot eat without pickles, which it is true are good for nothing else but to provoke an appetite. The vain youth that reads my almanac for the sake of an idle joke will perhaps meet with a serious reflection that he may ever after be the better for."[1] The almanac was filled with proverbial sentences "such as inculcated industry and frugality." In 1757 these proverbs were collected by Franklin and published in the form of a "harangue of a wise old man to the people attending an auction." The discourse was called the *Way to Wealth.*[2] It has been said that this "wonderfully popular piece" has been oftener printed and translated than any other work from an American pen.[3] It is a discourse on economic conduct.

We next find Franklin in a broader field of action. As has already been stated, in 1757 he was sent to England to guard the interests of Pennsylvania against the encroachments of the Penn family. With the exception of a short visit to America in 1762, he resided in London as the colonial agent of four of the colonies until 1775. His reputation as a scientist and a philosopher had preceded him. Everywhere in Europe his friendship was courted by the scholars of his day. His name was added to the list of honorary members in most of the learned societies of Europe. Yet he was ever the same unassuming citizen, always watching for an opportunity to use his political and economic knowledge for the good of the American colonies.

As the last war with France was drawing to a close, it became plain that England would not be able to retain both

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[1] *Works*, (Sparks ed.), vol. I., p. 122.

[2] *Works*, (Bigelow ed.), vol. I., p. 441.

[3] P. L. Ford, *Bibliography of Franklin*, p. 55. Ford gives more than one hundred and fifty editions, printed in every modern European tongue. He adds that his list is far from complete.

Canada and Guadaloupe. Which should she retain, and which should she restore to France? The question had been discussed for some time by the English statesmen, with possibly the advantage on the side of giving up Canada. Franklin saw the great need of ridding the American continent of French influences both in Canada and Louisiana. So appeared in 1760 his *Interest of Great Britain considered with Regard to her Colonies and the Acquisitions of Canada and Guadaloupe*.[1] It is safe to say that the retention of Canada by Great Britain was partly due to the arguments used in this essay. It was because Britain feared that manufactures would spring up in America if the colonies became densely settled that she was willing to extend her colonial territory. This pamphlet contains many interesting statements concerning manufactures and population.

The American paper currency had never become very popular with the English merchants. In both New England and the Carolinas they had lost very heavily through its depreciation. So strong did the opposition to these bills become that in 1764 the English Board of Trade, of which the vacillating Hillsboro was chairman, reported against the further emission of paper bills of credit in America as legal tender. Franklin again appeared as the champion of cheap money, this time not for Pennsylvania alone, but for all the colonies. He was then almost sixty years of age, and was respected by all for his practical judgment, wide experience and close observation of commercial matters. His *Remarks and Facts Relative to the American Paper Money*,[2] written in reply to Hillsboro's report, is conservative in spirit and is an able, although politically unsuccessful, plea for the colonial currency.

One other article worthy of mention falls within this period of Franklin's life. In 1769 he published his *Positions*

[1] *Works*, (Bigelow ed.), vol. III., p. 69.

[2] *Vid. Works*, (Bigelow ed.), vol. IV., p. 79. The title of this article as well as of others is not the same in the different editions of Franklin's works.

to be Examined Concerning National Wealth.[1] This paper contains the strongest statements of physiocratic doctrine to be found in all of Franklin's works, and shows plainly the influence of the French economists. Franklin visited France for the first time in the fall of 1767. In the summer of 1768 we find him acknowledging the receipt of a collection of Quesnay's works and Dupont's *Physiocratie.*[2] In the spring of 1769 appeared his own physiocratic work, the *Positions to be Examined Concerning National Wealth.* Of Franklin's relations with the Physiocrats more will be said later in this essay.

Franklin returned to America in 1775. The following year he was sent to France to solicit aid for the colonists in their struggle for independence. We now have Franklin the Diplomatist. His writings assume more of a political than an economic character. One would naturally expect to find him more intimately connected than ever with the French economists. But a study of his works shows that all his time was taken up with the manifold duties that devolved upon him as the agent of the colonies not only in France but in all Europe. Then, too, the Physiocrats as well as Franklin were soon forced by the political turmoil of the times to leave the quiet fields of philosophy and enter the more active arena of politics.

A few articles from Franklin's pen, falling within this period, deserve notice in this connection: (1) *Great Britain and the United States compared as regards a Basis of Credit,*[3] was written to show that it was safer to lend money to the United States than to England; (2) *The Reflections on the Augmentation of Wages which will be occasioned in Europe by the American Revolution*[4] is interesting, because it foreshadows the arguments by which the wage fund

[1] *Vid. Works,* (Bigelow ed.), vol. IV., p. 235.
[2] *Vid. Works,* (Bigelow ed.), vol. IV., p. 194.
[3] *Vid. Works,* (Bigelow ed.), vol. VI., p. 43.
[4] *Vid. Works,* (Bigelow ed.), vol. X., p. 46.

theory was overthrown; (3) *The Internal State of America*, and the (4) *Information to those who would remove to America*[1] were written to draw European emigrants to America; (5) the *Paper Money of the United States*[2] is a summary of the history of American paper money.

Thus far I have spoken of the more formal of Franklin's economic works. But as valuable as any of these for the economic student are some of Franklin's letters. Among his correspondents were the most eminent philosophers of his age. Now and then one will find a long letter of an almost purely economic character. Such for example is the letter to Benjamin Vaughan, written in 1784. We find in this letter the distinction frequently made by the early economists between productive and unproductive consumption, as well as some sound economic principles concerning luxury.[3] Franklin's views on the subject of population crop out in a letter to John Alleyne, written in reply to the question at what age a man should marry.[4] But not all of Franklin's letters are so rich in material for the economic student. For example, in a letter to Jared Elliot,[5] 1747, he discusses the origin of springs, sea-shells imbedded in rock, a new kind of grass seed, steel saws, mills for grinding flax-seed, the cultivation of hemp, and, last of all, the economic effect of import duties. Connecticut had passed a law levying a tax of 5% on certain goods imported from other colonies. Franklin's arguments against the tax in this letter largely anticipated later writers on the same subject.

It has been said by Parton that the reason Franklin was not asked to write the Declaration of Independence was that he would not have been able to do so without inserting a joke here and there. Franklin often resorted to humor to teach his contemporaries some important economic lesson.

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[1] *Vid. Works*, (Bigelow ed.), vol. X., p. 63; vol. VIII., p. 172.
[2] *Vid. Works*, (Bigelow ed.), vol. VII., p. 339.
[3] *Vid. Works*, (Bigelow ed.), vol. X., p. 11.
[4] *Vid. Works*, (Bigelow ed.), vol. IV., p. 196.
[5] *Vid. Works*, (Bigelow ed.), vol. II., p. 75.

Note, for example, his *Wail of a Protected Manufacturer*:[1] "I am a manufacturer and was a petitioner for the act to encourage and protect the manufacturers of this state. I was very happy when the act was obtained, and I immediately added to the price of my manufactures as much as it would bear so as to be a little cheaper than the same article imported in paying the duty. By this addition I hoped to grow richer. But as every other manufacturer whose wares are under the protection of that act has done the same, I begin to doubt whether, considering the whole year's expenses of my family, with all these separate additions which I pay to other manufacturers, I am at all a gainer. And I confess I cannot but wish that except the protecting duty on my own manufacture, all duties of the kind were taken off and abolished." In a similar strain is written the article *On the Price of Corn and Management of the Poor*.[2] This article appeared first in the *London Chronicle* in 1766. Later it figured as one of fifteen papers on economic subjects in the *Lord Overstone Collection of Scarce and Valuable Economical Tracts*, edited by J. R. McCulloch in 1859. It was again reprinted in France in the *Éphémérides du Citoyen*, a physiocratic journal. "I am one of that class of people," says the author, "that feeds you all, and at present is abused by you all; in short, I am a *farmer*." The article was written to show how unjust were the laws forbidding the farmers to export their products. If it is a good principle to prohibit the exportation of a commodity, says the farmer, stick to the principle and prohibit the exportation of cloth, leather, shoes, iron and manufactures of all sorts. Then commodities ought to be cheap enough. Against this artificial attempt to cheapen commodities, the farmer is made to say that "some folks seem to think they ought never to be easy till England becomes another Lubberland, where it is fancied that streets are paved with penny-rolls, the houses tiled with pancakes, and chickens ready roasted cry 'Come eat me.'" The paper throughout is an able defense of the agricultural class against the popular prejudices of that day.

[1] *Vid. Works*, (Bigelow ed.), vol. X., p. 118.

[2] *Vid. Works*, (Bigelow ed.), vol. IV., p. 64.

II.—PAPER MONEY AND INTEREST.

Franklin, in the article on the *Nature and Necessity of a Paper Currency*, lays down a number of monetary principles which are in substance as follows: (1) A great want of money in any trading country occasions interest to be at a very high rate. Conversely, a plentiful currency will occasion interest to be low. (2) Want of money in a country reduces the price of its produce. Conversely, a plentiful currency will cause the trading produce to bear a good price. Inasmuch as prices adjust themselves to the amount of money in the country, this proposition is true. (3) Want of money in a country discourages laborers and handicraftsmen (who are the chief strength and support of the people) from coming to settle in it; and induces many that were settled in it to leave the country and seek entertainment and employment in other places where they can be better paid. Conversely, a plentiful currency will encourage great numbers of laborers to come and settle in the country. (4) Want of money in the province occasions a greater consumption of English and European goods in proportion to the number of people than there would otherwise be. Conversely, a plentiful currency will occasion a less consumption of European goods in proportion to the number of the people.[1]

In the statement of these principles Franklin displays the politician rather than the economist. He loses sight entirely of the distinction between a medium of exchange and capital. Yet it is safe to say that these "laws," though false in many particulars, helped in no small measure to carry his point. As Franklin says,[2] there was no one able to answer him, "the opposition slackened," and the bill to increase the paper currency of Pennsylvania "was carried by a majority in the House."

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[1] *Vid. Works*, (Bigelow ed.), vol. I., p. 360.

[2] *Autobiography*, (Bigelow ed.), p. 186.

In determining the value of money, Franklin makes a distinction between coin and bullion which shows a careful study and a comprehension of monetary problems such as are seldom found among students twenty-three years old. He says:[1] "To make a true estimate of the value of money we must distinguish between money as it is bullion which is merchandise, and as by being coined it is made a currency. For its value as a merchandise and its value as a currency are two distinct things, and each may possibly rise and fall in some degree independent of the other."[2] Thus if the quantity of bullion increases in a country it will proportionately decrease in value; but if at the same time the quantity of current coin should decrease (supposing payments may not be made in bullion), what coin there is will rise in value as a currency." "Money as bullion or as land," he continues, "is valuable by so much labor as it costs to procure that bullion or land. Money as a currency has an additional value by so much time and labor as it saves in the exchange of commodities." If money as a currency saves one-fourth of the time and labor of a country (which under a system of barter would be spent in hunting suitable persons with whom to exchange), it must on that account have one-fourth added to its original value.

This is a very loose and broad statement, such as the economic writers of his day were prone to make. It cannot be accepted without limitation. But it is interesting as showing that Franklin was on the trail of that principle in finance which later became the corner-stone of Ricardo's theory of money.[3]

On the conditions assumed by Franklin, that the State alone coins money, this distinction between gold as bullion and gold as coin becomes of the utmost importance. Upon

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[1] *Vid. Works*, (Bigelow ed.), vol. I., p. 377.

[2] *Vid.* also Ricardo, *Political Economy*, 1st American edition, p. 380.

[3] *Cf.* Walker, *Political Economy*, p. 147; also Prof. Smart, *Fortnightly Review*, November, 1893, *Is Money a mere Commodity?*

it depends the possibility of a seigniorage above cost of coinage and of a paper currency. And Franklin clearly saw this. We must bear in mind that at this time he was not working in the interest of pure science. He had, to quote one of his own sayings, "an ax to grind." He was framing an argument for the issuing of paper money by the State.

We have mentioned the report of the English Board of Trade of 1764.[1] It had been urged in this report: (1) That the paper currency carried the gold and silver out of the colonies; (2) That the English merchants trading in America had lost through the use of this currency; (3) That the restrictions of paper money in New England had benefited trade very much in that region; (4) That every medium of trade should have an intrinsic value; (5) That debtors in the Assemblies made paper money with fraudulent views; (6) That in the middle colonies, where the credit of the paper money was the best, the bills did not retain their nominal value.

Most of these declarations are questions of fact. One only is a question of theory. Must the medium of exchange have intrinsic value? On this point Franklin speaks with no uncertain voice. He maintains[2] that men will not hesitate to take anything as full payment of debt provided they have the assurance that they can repass the article at the same value at which they received it. At that very time, said Franklin, three pennyworth of silver were passing in England for sixpence. For this difference between the nominal and intrinsic value there was nothing, not even paper. And as Ricardo so plainly demonstrates, a paper currency is nothing more than money, for the coining of which the State charges not one, nor five, but one hundred per cent. seigniorage.

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[1] *Vid.* p. 14.

[2] *Remarks and Facts Relative to the American Paper Money, vid.* p. 14, *supra.*

As to the last charge, that even in the middle colonies the bills did not retain their nominal value, but depreciated whenever the quantity was increased, Franklin maintained that the bills were as stable in value as silver. In England, with the changing demand for exportation, the price of bullion varied from 5s. 2d. to 5s. 8d. per ounce, a fluctuation of nearly ten per cent. When bullion was selling for 5s. 8d. per ounce, could it be said that all the coin and all the bank notes in England had depreciated ten per cent.? It was only in this sense that Pennsylvania bills could be said to have fluctuated in value. With the first issue of paper money a silver dollar exchanged for 7s. 6d. in paper. And this ratio was maintained steadily for forty years, although in the meantime the quantity of paper bills was increased from £15,000 to £600,000.

Böhm-Bawerk has described "Turgot as the first who tried to give a scientific explanation of Natural Interest on capital." Turgot's doctrine, as characterized by the Austrian economist, "bases the entire interest of capital on the possibility always open to the owner of capital, to find for it an ulterior fructification through the purchase of rent-bearing land," and is called the fructification theory of interest.[1] Yet it is clear that almost fifty years before the *Réflections* were published Franklin attempted to explain Natural Interest in the same way as did Turgot (1729-1776). Turgot's theory is summed up as follows:[2] A definite capital must yield a definite interest, because it may buy a piece of land bearing a definite rent. To take a concrete example: A capital of $10,000 must yield $500 interest, because with $10,000 a man can buy a piece of land bearing a rent of $500.[3] Franklin, it will be remembered, had been arguing for an increase of the paper currency. In determining the

[1] *Capital and Interest*, p. 63.

[2] *Ibid.*, p. 64.

[3] For the full statement of Turgot's views, *vid. Réflections*, Daire edition, sec. 57 *et seq.* References cited in *Capital and Interest.*

"natural standard of usury," he says that where the security is undoubted it must be equal to "the rent of so much land as the money lent will buy. For it cannot be expected that any man will lend his money for less than it would fetch him in as rent if he laid it out in land. . . . Now if the value of land is twenty years' purchase, five per cent. is the just rate of interest for money lent on undoubted security."[1]

Upon certain aspects of monetary theory Franklin's views changed with the course of political events. In the *Modest Inquiry* (1729) he held that an overissue of paper money was impossible. In the *Paper Money of the United States* (1781) he stated that the depreciation of the Continental currency was due to overissue. In the *Remarks and Facts* (1767) he maintained that paper money should be a legal tender. In a letter to Veillard (1788) he held that "the making of paper money with such a sanction is a folly." In the *Remarks and Facts* he opposed interest-bearing paper money. In a letter to Samuel Cooper (1779) he stated that to prevent the depreciation of the Continental currency he proposed in Congress "that the bills should bear interest."

[1] *Works*, (Bigelow ed.), vol. I., p. 372.

III.—WAGES.

The *Reflections on the Augmentation of Wages* was written in Paris and published in the *Journal d'Economie Publique*.[1] The article is worthy of our consideration because of the stand that the author takes with reference to the prevalent idea that wages must necessarily be low in a country which wishes to enjoy a large foreign trade. This idea, says Franklin, is both cruel and ill-founded. The object of every political society should be "the happiness of the largest number." And if in order to possess a large foreign trade "half the nation must languish in misery, we cannot without crime endeavor to obtain it, and it becomes the duty of the government to relinquish it. To desire to keep down the rate of wages, with the view of favoring the exportation of merchandise, is to seek to render the citizens of a state miserable, in order that foreigners may purchase its productions at a cheaper rate; it is at most attempting to enrich a few merchants by impoverishing the body of the nation; it is taking the part of the stronger in that contest, already so unequal, between the man who can pay wages and him who is under the necessity of receiving them."

But, says Franklin, while it is necessary that the price of goods intended for export be low, it is not necessary that wages be low in order that the price of commodities may be low. "The labor necessary to gather or prepare the article to be sold may be cheap, and the wages of the workman good. Although the workmen of Manchester and Norwich, and those of Amiens and Abbeville, are employed in the same kind of labor, the former receive considerably higher wages than the latter; and yet the woolen fabrics of Manchester and Norwich, of the same quality, are not so dear as those of Amiens and Abbeville." The price of an article may be

[1] *Works*, (Bigelow ed.), vol. X., p. 46.

lowered: (1) By using improved machinery; (2) By employing intelligent and active workmen; (3) By the judicious division of labor. "Now these methods of reducing the price of manufactured articles have nothing to do with the low wages of the workmen. In a large manufactory, where animals are employed instead of men, and machinery instead of animal power, and where that judicious division of labor is made which doubles, nay, increases tenfold both power and time, the article can be manufactured and sold at a much lower rate than in those establishments which do not enjoy the same advantages; and yet the workmen in the former may receive twice as much as in the latter."

Insufficient wages occasion the decline of a manufactory, while high wages promote its prosperity. "High wages attract the most skilful and most industrious workmen. Thus the article is better made, it sells better, and in this way the employer makes a greater profit than he could do by diminishing the pay of the workmen. A good workman spoils fewer tools, wastes less material, and works faster than one of inferior skill; and thus the profits of the manufacturer are increased still more."

It would be idle to look for a scientific law of wages in Franklin's writings. Franklin very seldom formulated laws. In the article *On the Laboring Poor*[1] he stated incidentally that "as the cheapness of other things is owing to the plenty of those things, so the cheapness of labor is in most cases owing to the multitude of laborers and to their underworking one another in order to obtain employment." It is in this article also that Franklin made the oft-quoted statement that "our laboring poor receive annually the whole of the clear revenues of the nation."

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[1] 1768, *vid. Works*, (Bigelow ed.), vol. IV., p. 154.

IV.—POPULATION.

Through all of Franklin's works on population there runs the same thought, that the people will "increase and multiply in proportion as the means and facility of gaining a livelihood increase."[1] He describes three economic societies:[2] that of the hunter, the farmer, and the manufacturer. In the first two societies people can increase only as new land is added to the community. "Our people," he says, "being confined to the country between the sea and the mountains, cannot much more increase in numbers, people increasing in proportion to their room and means of subsistence."[3] After all the land is taken up, the hunter and the farmer must give way to the manufacturer, and, he adds, all the penal laws in the land will not be able to prevent manufactures under such circumstances. After society has reached the manufacturing stage there will be a rapid increase in population, until population again presses upon subsistence. When this stage is reached the population must necessarily remain stationary. "Europe is generally full settled with husbandmen and manufacturers, and therefore cannot now much increase in people."[4]

The rate of increase of population depends on both the number of marriages and the age at which marriages take place. Franklin advocated early marriages because: (1) Early ones stand the best chance of happiness. Habits are

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[1] *Interest of Great Britain Considered, vid. Works,* (Bigelow ed.), vol. III., p. 95.

[2] Referred to in Malthus' *Essay on Population,* 6th ed., vol. I., p. 36.

[3] *Vid. Works,* (Bigelow ed.), vol. II., p. 475. This argument was used effectively whenever Franklin wanted colonial territory extended.

[4] *Observations concerning the Increase of Mankind and Peopling of Countries, Works,* (Bigelow ed.), vol. II., p. 228.

not yet set and form more easily to each other; (2) By early marriages youthful dissipation is avoided; (3) Parents who marry late often die before the children are grown up. "Late children are early orphans"; (4) Early marriages bear more children.[1]

"The married state is the happiest state. Man and woman have each of them qualities and tempers in which the other is deficient and which in union contribute to the common felicity. Single and separate they are not the complete human being; they are like the odd halves of scissors; they cannot answer the end of their formation."[2]

Owing to the cheapness of land in America marriages are more numerous and occur earlier here than in Europe. Franklin preceded Malthus in pointing out the influence of a high standard of living on the increase of population, in other words, the preventive check to population. "The greater the common fashionable expense of any rank of people the more cautious they are of marriage." In cities, where living expenses are higher and luxuries more common, "many live single during life, and continue servants to families, journeymen to trades," so that cities do not by natural generation supply themselves with inhabitants. Malthus looked upon this check as beneficial to a society, while Franklin considered it a great misfortune to his country. We must remember that Franklin was influenced by the picture of a country suffering for the want of men; Malthus, by the picture of a country suffering for the want of bread. Franklin advocated schemes for the increase, Malthus for the decrease of population.

This natural law of numbers and subsistence, Franklin says, is universal throughout the vegetable and animal kingdoms.[3] If the face of the earth were vacant of plants it might soon be overspread with one species, as for example

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[1] *Vid. Works*, (Bigelow ed.), vol. IV., p. 196. Letter to John Alleyne.

[2] To John Sargent, *vid. Works*, (Bigelow ed.), vol. VIII., p. 257.

[3] *Vid. Works*, (Bigelow ed.), vol. II., p. 232.

with fennel. And were it empty of other inhabitants it might in a few ages be replenished from one nation only, as for instance with Englishmen.[1] "In fine, a nation well regulated is like a polypus; take away a limb, its place is soon supplied. Cut it in two, and each deficient part shall speedily grow out of the part remaining. Thus if you have room and subsistence, of one nation you may make ten nations equally populous and powerful."

Nor do we need legislative enactments to adjust properly the number of inhabitants among the nations of mankind. "The waters of the ocean may move in currents from one quarter of the globe to another, as they happen in some places to be accumulated and in others diminished; but no law beyond the law of gravity is necessary to prevent their abandoning any coast entirely. Thus the different degrees of happiness of different countries and situations find, or rather make their level by the flowing of people from one to another, and where that level is once found, the removals cease. Add to this that even a real deficiency of people in any country occasioned by a wasting war or pestilence is speedily supplied by earlier and more prolific marriages, encouraged by the greater facility of obtaining the means of subsistence. So that a country half depopulated would soon be repeopled till the means of subsistence were equalled by the population. All increase beyond that point must perish or flow off into more favorable situations. Such overflowings there have been, of mankind in all ages, or we should not now have so many nations. But to apprehend absolute depopulation from that cause, and call for a law to prevent it, is calling for a law to stop the Thames lest its waters, by what leave it daily at Gravesend, should be quite exhausted.'"[2]

What has been the influence of Franklin upon Malthus? It has been said that Franklin's work suggested Malthus'

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[1] Quoted by Malthus, *Essay on Population*, sixth edition, vol. I., p. 2.

[2] *On a Proposed Act of Parliament for Preventing Emigration, vid. Works*, (Bigelow ed.), vol. V., pp. 421-422.

Essay on Population[1] This seems to be claiming too much for the subject of our essay. In 1797 appeared Godwin's *Enquirer*.[2] Certain parts of this called out Malthus' *Essay on Population* in 1798, the first edition of which, it would seem, contained no reference to Franklin. After the first edition Malthus studied his subject more carefully, and found many works of which he had not before been familiar, and from which he quoted in his later editions. In the preface to the second edition of his work Malthus said the *Essay on the Principles of Population* which he published in 1798 was suggested by a paper in Mr. Godwin's *Inquirer*. "The only authors from whose writings I had deduced the principle, which formed the main argument, of the essay were Hume, Wallace, Dr. Adam Smith and Dr. Price. . . . In the course of this inquiry I found that much more had been done than I had been aware of when I first published the essay." Among the writers who had preceded him, Malthus mentions Franklin, from whose works he quotes in the later editions.[3] Franklin, it seems, was the first to attempt to fix the rate of increase of population under favorable circumstances. As early as 1760 he asserted that the American population was doubled by procreation alone every twenty or twenty-five years.[4] Malthus in his later editions adopted Franklin's estimate of the rate of increase of population in America. It was this estimate that aroused the ire of the sarcastic Godwin. "Dr. Franklin," said he,[5] "is in this case particularly the object of our attention, because he was the first man who started the idea of the people of America being multiplied by procreation so as to double

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[1] *Vid.* Thorpe, *Benjamin Franklin and the University of Penna.*, p. 142.

[2] The full title of the work is, *The Enquirer; Reflections on Education, Manners and Literature.*

[3] *Vid.* for example, vol. I., pp. 2 and 36, of sixth edition.

[4] This appears time and again throughout his works. *Vid. Works*, (Bigelow ed.), vol. III., pp. 92, 417; VI., p. 49.

[5] *Population, an Enquiry concerning the Power of Increase in the Numbers of Mankind*, pp. 119 *et seq.*

every twenty-five years. . . . Dr. Franklin has obtained a great name. But when he launches into assertions so visionary, I must say that a great name goes with me for nothing. Dr. Franklin, born at Boston, was eminently an American patriot. And the paper from which these extracts were taken[1] was expressly written to exalt the importance and glory of his country. If this paper were without a date, I should have thought it had been written long before Franklin was twenty-five years of age."[2] While it is true, then, that Franklin anticipated Malthus in pointing out the relation between population and subsistence, and the influence of a high standard of living as a preventive check to population, yet we cannot claim any direct influence of Franklin's writings on the first edition of Malthus' essay. Whatever influence he exerted originally came indirectly through the writings of Dr. Price and Adam Smith. Dr. Price was one of Franklin's regular correspondents, and Smith adopted Franklin's views with reference to the increase of population in the colonies.

We have already said that in his later editions Malthus availed himself of the work of Franklin. It is worth mentioning here that the first edition of Malthus did not contain his preventive check to population. "Throughout the whole of the present work," he says in his preface to the second edition,[3] "I have so far differed in principle from the former as to suppose the action of another check to population, which does not come under the head of either vice or misery." Inasmuch as Malthus in the interval between the appearance of the first and the second edition of his work made himself familiar with Franklin's writings on population, one is led to believe that the influence of Franklin may be seen in Malthus' preventive check to the increase of population.

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[1] *The Peopling of Countries, vid. Works,* (Bigelow ed.), vol. II., p. 223.

[2] Godwin places the date of this paper in 1731. In this he is incorrect. The paper appeared in 1751. Hence Franklin was not twenty-five, but forty-five years old.

[3] *Vid.* p. 7.

V.—VALUE.

Franklin has been called the father of the Labor theory of value.[1] This is incorrect. It is true that as early as 1729, in his first paper of an economic character,[2] Franklin states this theory very fully. But the close resemblance between his language and that of Sir William Petty who preceded him by more than fifty years,[3] leads one to conclude that Franklin, who lived in London in 1724, must have known of Petty's work. Compare, for example, the following quotations taken from the works of Franklin and Petty. The same commodities are compared, in the same ratios, and the same Latin phrase used at the end:

FRANKLIN, 1729.	PETTY, 1662.
"By labor may the value of silver be measured as well as other things. As, suppose one man employed to raise corn while another is digging and refining silver. At the year's end, or at any other period of time, the complete produce of corn and that of silver are the *natural price of each other;* and if one be twenty bushels and the other twenty ounces, then an ounce of that silver is worth the labor of raising a bushel of	"Labor is the father and active principle of wealth, lands are the mother." And again, "If a man can bring to London an ounce of silver out of the earth in Peru in the same time that he can produce a bushel of corn, *then one is the natural price of the other.* Now if by reason of new and more easy mines a man can get two ounces of silver as easily as formerly he did one, then corn will be as cheap at 10s.

[1] Thorpe, *Benjamin Franklin and the University of Pennsylvania, vid.* p. 142.

[2] *The Nature and Necessity of a Paper Currency, vid. Works,* (Bigelow ed.), vol. I., p. 371.

[3] Petty's *Essay on Taxes and Contributions* appeared in 1662.

that corn. Now if by the discovery of some nearer, more easy or plentiful mines, a man may get forty ounces of silver as easily as formerly he did twenty, and the same labor is still required to raise twenty bushels of corn, then two ounces of silver will be worth no more than the same labor of raising one bushel of corn and that bushel of corn will be as cheap at two ounces as it was before at one, *caeteris paribus.*" *Nature and Necessity of a Paper Currency. Works* (Bigelow ed.), vol. I., p. 371.

the bushel as it was before at 5s., *caeteris paribus.*" *Essay on Taxes and Contributions*, p. 32.

It may be interesting in this connection to cite Smith's illustration of the same theory: "If among a nation of hunters it usually cost twice the labor to kill a beaver which it does to kill a deer, one beaver should naturally exchange for, or be worth, two deer."[1] We observe that in all the quotations the word *natural* occurs. Each is striving to find a *natural* measure for value. This is not strange to one familiar with the philosophy of that day. We notice, too, that with Franklin and Petty time is the chief element in gauging value. Smith adds a third, "the different degrees of hardship endured."

The interesting part about Franklin's theory of value is the change that he makes after his contact with the French economists. The year 1767 is an important date in Franklin's economic career. It will be remembered that this marks his first visit to Paris, and also the beginning of that correspondence between him and the economists which was kept up for many years. It is not too much to say that even if Franklin had never seen a line of the *Tableau Economique*

[1] *Vid. Wealth of Nations*, B. I., ch. 5.

or the *Physiocratie*, his economic writings would still have been in many respects what we should call physiocratic. And yet we must admit that for certain doctrines he is directly indebted to the French school. A few months after he had received the *Physiocratie* he sums up as follows his labor theory of value:[1]

"Food is always necessary to all, and much the greatest part of the labor of mankind is employed in raising provisions for the mouth. *Is not this kind of labor, then, the fittest to be the standard by which to measure the values of all other labor, and consequently of all other things whose value depends on the labor of making or procuring them?*"[2]

In determining the value of manufactured articles, he comes out more plainly still on the physiocratic side. Though six pennyworth of flax, he says, be worth twenty shillings, when worked into lace, yet the very cause of its being worth twenty shillings is that, besides the flax, it has cost 19s. 6d. in subsistence to the manufacturer.[3]

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[1] *Vid.* Letter to Lord Kames, Feb. 21, 1769, *Works*, (Bigelow ed.), vol. IV., p. 229. Also quoted in Tytler's Life of Kames, vol. II., p. 115.

[2] The italics are my own.

[3] *Vid. Positions to be examined*, *Works*, (Bigelow ed.), vol. IV., p. 235, 4 April, 1769.

VI.—AGRICULTURE.

After what has been said, we are prepared to learn that Franklin estimated very highly the value of agriculture in his economic system. Such is the fact. He always took great interest in the welfare of the farmers. It was among them that he expected to find the greatest industry and frugality. Throughout his entire life he was on the lookout for new grasses or new plants which could be introduced in the colonies.[1]

While abroad he tried to introduce silk culture in America. "I send you," he says in a letter to Cadwallader Evans,[2] "a late French treatise on the management of silk-worms. . . . There is no doubt with me that it [silk culture] might succeed in our country. It is the happiest of all inventions for clothing. Wool uses a good deal of land to produce it, which if employed in raising corn would afford much more subsistence for man than the mutton amounts to. Flax and hemp require good land, impoverish it, and at the same time permit it to produce no food at all. But mulberry trees may be planted in hedgerows, on walks or avenues, or for shade near a house where nothing else is wanted to grow. The food for the worms is in the air, and the ground under the trees may still produce grass or some other vegetable good for man or beast. Then the wear of silk garments continues so much longer, from the strength of the materials, as to give it greatly the preference."

In many of his private letters Franklin describes agriculture as "the most useful, the most independent, and therefore the noblest of employments." He calls agriculture and fisheries the great source of increasing wealth in the United

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[1] *Vid. Works*, (Bigelow ed.), vol. II., p. 75, letter to Jared Elliot; vol. VI., p. 21, letter to Philip Mazzei.

[2] *Vid. Works*, (Bigelow ed.), vol. IV., p. 268.

States. "He that puts a seed into the earth is recompensed, perhaps, by receiving forty out of it. And he who draws a fish out of our water draws up a piece of silver."[1] If a country will be attentive to these, the power of rivals, with all their restraining and prohibiting acts, cannot hurt it. "We are sons of the earth and the seas, and like Antaeus in the fable, if in wrestling with Hercules we now and then receive a fall, the touch of our parents will communicate to us fresh strength and vigor to renew the contest." It is the "industrious, frugal farmers" who are the mainstay of the nation, and who cannot be ruined by the luxury of the seaports.

It is to be remembered that about 1768 Parliament was very much agitated over the Boston Resolutions not to import any goods manufactured in England. In a letter of this date,[2] Franklin gauges the value of agriculture to any society. He says: "After all, this country (*i. e.* England) is fond of manufactures beyond their real value, for the true source of riches is husbandry. Only agriculture is truly productive of new wealth." In this respect, too, Franklin is in entire accord with the Physiocrats.

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[1] *The Internal State of America*, p. 16, *supra*.

[2] To Cadwallader Evans, 20 Feb., 1768, *vid. Works*, (Bigelow ed.), vol. IV., p. 120.

VII.—MANUFACTURES.

Franklin maintained that the shape which the economic life of a society would take depended on the number of the people in that society. "The natural livelihood of the thin inhabitants of a forest country is hunting; that of a greater number, pasturage; that of a middling population, agriculture, and that of the greatest, manufactures."[1] He often had occasion to convince the English people that so long as land was abundant in the colonies the English need not fear American competition in manufactures. According to Franklin, a system of manufactures in a country implies:

(1) A large population. "They who understand the economy and principles of manufactures know that it is impossible to establish them in places not populous." Everybody knows, he says, that all the penal and prohibitory laws that were ever devised will not be sufficient to prevent manufactures in a country whose inhabitants surpass the number that can subsist by the husbandry of it. It is because there are many poor without land in a country that undertakers can carry on a manufacture and afford it cheap enough to prevent the importation of the same kind from abroad and to bear the expense of its own exportation. (2) A great system of commerce. This is necessary to supply the raw materials. (3) Machines for expediting and facilitating labor. (4) Channels of correspondence for vending the wares, together with the confidence and credit necessary to support this correspondence. (5) Mutual aid of different artisans, that is, in the language of the modern economist, a high degree of division of labor. "Manufactures, where they are in perfection, are carried on by a multitude of hands, each of which is expert only in his own part, no one of them

[1] *Vid. Works*, (Bigelow ed.), vol. III., p. 86. *Interests of Great Britain considered with reference to her Colonies.*

a master of the whole." Hence, in order to establish a new industry in a new country it is necessary to import "a complete set" of workmen.

But wherein lies the advantage of manufactures to a society if "only agriculture is truly productive of new wealth"? Even though "riches are not increased by manufacturing," yet Franklin claimed that manufactures are often *advantageous* for the following reasons: (1) Provisions in the shape of manufactures are more easily carried for sale to foreign markets. "And where the provisions cannot be easily carried to market, it is well to transform them." It was because the farmers of western Pennsylvania did not have the necessary means of transportation to market their wheat that they converted it into whiskey. This explains why they so vigorously opposed Hamilton's internal revenue tax in what is commonly called the Whiskey Insurrection. (2) In families where the children and servants have some spare time, it is well to employ it in making something, for example by spinning or knitting. For "the family must eat whether they work or are idle." (3) Another advantage of manufactures is in this, that by their means our traders may more easily cheat strangers. Few, where it is not made, are judges of the value (*i. e.*, cost of production) of lace. The importer may demand 40s. and perhaps get 30s. for that which cost him but 20s.

There are then, says Franklin, three ways by means of which a nation can acquire wealth. The first way is by war, as the Romans did, in plundering their conquered neighbors. This is robbery. The second is by commerce, which is generally cheating. The third, by agriculture, the only honest way, "wherein man receives a real increase of the seed thrown into the ground, in a kind of continuous miracle, wrought by the hand of God in his favor, as a reward for his innocent life and his virtuous industry."[1]

[1] *Vid.* (1) Letter to Cadwallader Evans, *Works*, (Bigelow ed.), vol. IV., p. 120; (2) *Positions to be examined concerning National Wealth*, vol. IV., p. 235.

When we read such physiocratic statements as the one laid down by Franklin that manufactures are only another shape into which so much of provisions and subsistence are turned, we ought constantly to remember the condition of laboring men then engaged in manufactures. While Franklin was in England he made a tour of investigation through some of the manufacturing towns. He gave the result of his observations in a letter to a friend,[1] a part of which we quote: "Had I never been in the American colonies, but were to form my judgment of civil society by what I have lately seen, I should never advise a nation of savages to admit of civilization. For I assure you that in the possession and enjoyment of the various comforts of life, compared to these people, every Indian is a gentleman." Is it a wonder that Franklin asserted that only agriculture is truly productive?

[1] To Joshua Babcock, *vid. Works*, (Bigelow ed.), vol. IV., p. 441.

VIII.—FREE TRADE.[1]

Franklin was always a firm believer in the utmost freedom of trade. This he based on *natural* right. "There cannot be a stronger natural right," he said,[2] "than that of a man's making the best profit he can of the natural produce of his lands." In a letter to a friend,[3] he "admires the spirit with which the Irish are at length determined to claim some share of that freedom of commerce which is the right of all mankind, but which they have been so long deprived of, by the abominable selfishness of their fellow-subjects. To enjoy all the advantages of the climate, soil, and situation in which God and nature have placed us, is so clear a right as that of breathing, and can never be justly taken from men but as a punishment for some atrocious crime."

The self-interest of the traders will be sufficient to guide the direction of trade and to fix prices. It seems contrary to the nature of commerce, he says,[4] for government to interfere in the prices of commodities. Trade will best make its own rates. This is as true of foreign as of domestic trade. The state whose ports are open to the world is the one whose goods will bring the highest price, and whose money will buy the cheapest goods.[5]

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[1] Most collections of Franklin's works contain the *Essay on Principles of Trade*, a paper full of sound economic doctrine. The essay was written originally by George Whatley, and revised by Franklin. Franklin later disclaims all right of authorship to the article. In a letter to Whatley he asks for a copy of Whatley's "excellent little work, the *Principles of Trade*." For this reason we have given no notice to this paper.

[2] *Causes of the American Discontent*, 1768, *vid. Works*, (Bigelow ed.), vol. IV., p. 107.

[3] To Sir Edwin Newenham, *vid. Works*, (Bigelow ed.), vol. VI., p. 405.

[4] *Remarks on a Plan for the Future Management of Indian Affairs*, *vid. Works*, (Bigelow ed.), vol. III., p. 479.

[5] Letter to Livingstone, *vid. Works*, (Bigelow ed.), vol. VIII., p. 304.

Nor did he believe in import duties for the sake of encouraging new industries. "When the governments (that is, of the separate states before 1787) have been solicited to support such schemes by encouragements in money or by imposing duties on importations of such goods, it has been generally refused on this principle, that if the country is ripe for the manufacture, it may be carried on by private persons to advantage, and if not, it is a folly to think of forcing nature. The manufacture of silk, they say, is natural in France, as that of cloth in England, because each country produces in plenty the first material. But if England will have a manufacture of silk as well as that of cloth, and France, of cloth as well as that of silk, these unnatural operations must be supported by mutual prohibitions or high duties on the importation of each other's goods, by which means the workmen are enabled to tax the home consumer by greater prices, while the higher wages they receive makes them neither happier nor richer."[1] Franklin looked at the problem from the consumer's point of view. "We hear much," he says, "of the injury the concessions to Ireland will do to the manufacturers of England, while the people of England seem to be forgotten as quite out of the question. If the Irish can manufacture cottons, and silks, and linens, and cutlery, and toys, and books so as to sell them cheaper in England than the manufacturers of England sell them, is not this good for the people of England?"[2]

The effect of trade restrictions is concisely put in a *Note respecting Trade and Manufactures.*[3] "Suppose a country, X, with three manufactures, as cloth, silk, iron, supplying three other countries, A, B and C, but is desirous of increasing the vent, and raising the price of cloth in favor of her

[1] *Information to those who would remove to America, vid. Works,* (Bigelow ed.), vol. VIII., p. 181. It will be remembered that this was written in France.

[2] Letter to Benjamin Vaughan, *vid. Works,* (Bigelow ed.), vol. IX., p. 96.

[3] *Vid. Works,* (Bigelow ed.), vol. IV., p. 21.

own clothiers. In order to do this, she forbids the importation of foreign cloth from A. A in return forbids silks from X. Then the silk workers complain of a decay of trade. And X, to content them, forbids silks from B. B in return forbids iron ware from X. Then the iron workers complain of decay, and X forbids the importation of iron from C. C in return forbids cloth from X. What is got by all these prohibitions? Answer.—All four find their common stock of the enjoyment and conveniences of life diminished." Franklin, the day after he returned from England, May 6th, 1775, was elected a delegate to the second Continental Congress. In this Congress he introduced resolutions of free trade with continental Europe. But Congress refused to act on them at that time. We cannot close this part of our essay without referring to one more public act of Franklin's. It had long been a favorite idea with him that "free ships make free goods." He believed in allowing free course to neutral ships of commerce in time of war, and had the honor as his last public act in Europe of signing a treaty with Frederick the Great, a clause of which embodied this favorite idea.[1]

[1] *Vid.* (1) *Works*, (Bigelow ed.), vol. IX., p. 89; (2) Bancroft, *History of the United States*, edition of 1883, vol. VI., p. 152.

IX.—TAXATION.

In the examination before the House of Commons in 1766, Franklin divided taxes into two kinds.[1] An external tax he defined as a "duty laid on commodities imported." This duty is added to the first cost and enters into the price of the article. It is a voluntary tax, inasmuch as any one may avoid the tax by not buying the article. An internal tax he defined as a tax laid within the colony. It is a voluntary tax if levied by the representatives of the people, but involuntary if imposed by Parliament, in which the colonies are not represented. On general principles Franklin believed that a State should raise its revenue by direct taxes rather than by import duties. Import duties are objectionable, he said, because: (1) They are only another mode of taxing your own people; (2) The law is difficult to execute, leads to smuggling; (3) It prevents wholesome exchange of products between two countries, and this destroys honest trade.[2]

It has just been said that Franklin held that an import duty enters into price. More than this, he maintained that a tax on exported articles is paid by the consumer. "All goods brought out of France to England or any other country are charged with a small duty in France which the consumers pay."[3]

Although on purely economic grounds Franklin favored direct taxes, yet we find that as a means of raising revenue for the United States just after the adoption of the Constitution he advocated import duties. This called forth a

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[1] *Vid. Works*, (Bigelow ed.), vol. III., p. 422.

[2] *Vid.* (1) Letter to Jared Elliot, *Works*, (Bigelow ed.), vol. II., p. 78; (2) Letter to Wm. Franklin, *ibid.*, vol. IV., p. 130.

[3] Letter to Wm. Franklin, *ibid.*, vol. IV., p. 131; Letter to Shirley, *ibid.*, vol. III., p. 381.

shower of letters from his French correspondents, who called him to task for his economic apostasy. In his replies to these letters we find the same reasons given for his actions: (1) That the war debt made import duties necessary; (2) That an indirect tax would not bear so grievously on the people, who were still sensitive on the subject of taxation; (3) That to collect a direct tax in a sparsely settled country was too expensive. "I am of the same opinion with you respecting the freedom of commerce, especially in countries where direct taxes are practicable. This will be our case in time when our wide-extended country fills up with inhabitants. But at present they are so widely settled, often five or six miles distant from one another in the back country, that a collection of a direct tax is almost impossible, the trouble of the collectors going from house to house amounting to more than the value of the tax. . . . Our debt occasioned by the war being heavy, we are under the necessity of using imports, and every method we can think of, to assist in raising a revenue to discharge it, but in sentiment we are well disposed to abolish duties on importation, as soon as we possibly can afford to do so."[1]

In a letter to Mr. Small[2] he gives as another reason, that the legislators, who are landowners as well, "are not yet persuaded that all taxes are finally paid by the land."

The discourse of Father Abraham in the *Way to Wealth*,[3] although not contributing anything to a theory of taxation, contains a number of aphorisms on voluntary taxation which may not be out of place here. The taxes of the government are indeed heavy, says Father Abraham, but "we are taxed twice as much by our idleness, three times as much by our pride, and four times as much by our folly; and from these taxes the commissioners cannot ease or deliver us by

[1] *Vid.* Letter to the Abbé Morellet, *Works*, (Bigelow ed.), vol. IX., p. 383; also Turgot, *Œuvres*, (Daire ed.), I., 409.

[2] *Works*, (Bigelow ed.), vol. IX., p. 414.

[3] *Vid.* p. 13.

allowing an abatement." "Dost thou love life?" he says; "then do not squander time, for that is the stuff life is made of." And "if time be of all things the most precious, wasting time must be the greatest prodigality," because "lost time is never found again, and what we call time enough always proves little enough." . . . "Away then with your expensive follies," says Father Abraham, "and you will not then have so much cause to complain of hard times, heavy taxes, and expensive families. Goods in the shape of fineries and knicks-knacks are more likely to prove evils in the end."[1]

[1] A number of similar aphorisms on economic conduct are contained in *Necessary Hints to those that would be Rich*, 1736, (*Works*, Bigelow ed., vol. I., p. 440), and in the *Advice to a Young Tradesman*, 1748, (*Works*, Bigelow ed., vol. II., p. 118).

X.—FRANKLIN AND THE PHYSIOCRATS.

As has been already stated, Franklin made his first visit to Paris in 1767. It will be remembered that this was the year in which the colonial taxes on teas, glass, paints were voted by Parliament. Already France was beginning to show signs of encouraging the colonies to withdraw from the mother-country. Durand, the French minister in London, courted the friendship of Franklin, and no doubt encouraged him to visit Paris. In order that Franklin might be well received in France, Durand gave him "letters of recommendation to the Lord knows who." Franklin suspected that Durand was trying "to blow up the coals between Great Britain and her colonies," but hoped they would "give them no opportunity."[1] Franklin felt that in making this visit to France the greatest caution and secrecy would have to be observed. In a letter to his son regarding this visit, he requests him to "communicate nothing of this letter but privately to our friend Galloway." While this visit was largely of a political character, it is of the greatest interest to the economic student, because it was at this time that Franklin came first into direct contact with the Physiocrats. At once the closest intimacy sprang up. This no doubt was due to the many points of similarity in his views and their system of thought. Franklin was always very favorably disposed towards the industrious and frugal farmer. In the opening lines of the essay on the *Price of Corn* he says: "I am one of that class of people that feeds you all and at present is abused by you all. In short, I am a farmer." Franklin came from a country in which it could not be denied that agriculture was the most important source of wealth. He could not do otherwise, then, than to assent to

[1] *Vid. Works*, (Bigelow ed.), Letter to William Franklin, vol. IV., p. 32.

the physiocratic dictum that everywhere agriculture alone is productive. Then again, from the very beginning he advocated the utmost freedom of trade, whether domestic or foreign. We have seen that he opposed the Connecticut Tariff as well as the attempt to regulate the trade with the Indians. In these broad-minded views also he found himself in entire accord with the Physiocrats, for we are beginning to see that there is more to the physiocratic system than the "sterility of manufactures." In advocating the liberal, unselfish policy which should take in "the interest of humanity, or the common good of mankind"[1] he was in harmony with physiocratic philosophy as well as independent of French influence. Besides, the words *nature* and *natural* appealed as strongly to Franklin's mind as they did to those of the Physiocrats. With him agricultural labor fixes the *natural* price of commodities. His rate of interest is a *natural* rate, determined by the rent of so much land as the money lent will buy. Freedom of trade is based on a *natural* right. Manufactures will *naturally* spring up in a country as the country becomes ripe for them. His law of the increase of population is based on the more fundamental law in *nature* that numbers are constantly crowding subsistence. The law of the adjustment of population among the different countries of the world is a *natural* law based on the comparative well-being of mankind.[2] Under these circumstances we can easily account for the friendly letters that passed between Franklin and the Economists.

The father of the school of Economists, as is well known, was Quesnay. Among the leading disciples were Mirabeau, the "friend of men," from *Ami des Hommes*, the title of one of his books; Dupont[3] de Nemours, Du Bourg, and Turgot,

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[1] *Vid.* his letter to Hume, 1760, *Works*, (Bigelow ed.), vol. III., p. 127.

[2] *Vid.* for example the quotation on p. 27. Every shipload of steerage passengers landed in Castle Garden shows with what force the principle still operates.

[3] The Dupont family afterwards emigrated to the United States and established the celebrated Dupont Powder Works. *Vid.* Hale's *Franklin in France*, vol. I., p. 7.

with all of whom Franklin became intimately acquainted. The correspondence between Franklin and these men began immediately after his return to London. A letter from Dupont to Franklin early in 1768 runs as follows: "I had already known you as a savant, geometer, naturalist, as the man whom nature permitted to unveil her secrets. But now my friend, Dr. Barber Du Bourg, has been kind enough to send me many of your writings relative to the affairs of your country. I have taken the liberty to translate some of them.[1] At every page I find the philosophical citizen, bringing his genius to bear for the sake of the happiness of his brother and the dearest interest of humanity. These writings have made me regret more than ever that I did not meet you while you were in Paris. If, to our good fortune, you shall come here again, promise me, I beg you, to repair my loss as completely as possible."[2] With the letter came a copy of Dupont's *Physiocratie*. The letter of Franklin in reply to the former is interesting as showing how close was the friendship between him and the Economists. We quote it in full:[3]

"I received your obliging letter of the 10th May, with the most acceptable Present of your Physiocratie, which I have read with great Pleasure, and received from it a great deal of Instruction. There is such a Freedom from local and national Prejudices and Partialities, so much Benevolence to Mankind in general, so much Goodness mixed with Wisdom, in the Principles of your new Philosophy, that I am perfectly charmed with them, and wish I could have stayed in France

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[1] Very probably for publication in the *Éphémérides du Citoyen*, of which Dupont was the editor. We know certainly that the article on the *Price of Corn and Management of the Poor* was so published. *Vid. Works*, (Sparks ed.), vol. II., p. 235, also Palgrave's *Dictionary of Political Economy*, article "Ephémérides."

[2] Quoted by Hale, *Benjamin Franklin in France*, vol. I., p. 13.

[3] *Vid. Works*, (Bigelow ed.), vol. IV., p. 194.

for some time, to have studied in your school[1] that I might by conversing with its founders have made myself quite a Master of that Philosophy. . . . I am sorry to find that that Wisdom which sees the Welfare of the Parts in the Prosperity of the Whole seems yet not to be known in this Country. . . . We are so far from conceiving that what is best for Mankind or even for Europe in general, may be best for us, that we are ever studying to establish and extend a separate Interest of Brittain, to the Prejudice of even Ireland and our own Colonies. . . . It is from your Philosophy only that the maxims of a contrary and more happy conduct are to be drawn, which I therefore sincerely wish may grow and increase till it becomes the governing Philosophy of the human Species, as it must be that of superior Beings in better Worlds. I take the Liberty of sending you a little Fragment that has some Tincture of it, which on that account I hope may be acceptable.

Be so good as to present my sincere Respects to that venerable Apostle Dr. Quesnay, and to the illustrious Ami des Hommes (of whose Civilities to me at Paris I retain a grateful Remembrance) and believe me to be, with real and very great Esteem, Sir,

Your obliged and most obedient humble Servant,

B. FRANKLIN."

Franklin revisited Paris in 1769. But if his first mission was political, his second was still more so. We find very few letters after this date which are not entirely political in their character. Franklin after 1770 was too busy a man to take much interest in the philosophical disquisitions of the

[1] This school is described as follows by Grimm: "They begin with a good dinner, then they labor; they chop and dig and drain; they do not leave an inch of ground in France. And when they have either labored all day in a charming saloon, cool in summer, and well warmed in winter, they part in the evening well contented, and with the happy satisfaction that they have made the Kingdom more flourishing." *Vid.* Hale, *loc. cit.*, p. 8. Rather a pleasant school to study in!

Economists. It was on this second visit that he arranged with Du Bourg for a French translation of his works. Later many letters passed between Franklin and Du Bourg, chiefly with reference to this translation. In one of them Du Bourg sends the "compliments of Dupont and the Marquis of Mirabeau." Dupont himself sends Franklin a copy of one of his later works, which calls out another very interesting letter from Franklin. "Accept my sincere Acknowledgements and Thanks," he says,[1] "for the valuable Present you made me of your excellent Work on the Commerce of the India Company, which I have perused with much Pleasure and Instruction. It bears throughout the Stamp of your Masterly Hand, in Method, Perspicuity, and Force of Argument. The honorable Mention you have made in it of your Friend is extremely obliging. I was already too much in Debt for Favors of that Kind. I purpose returning to America in the ensuing Summer if our Disputes should be adjusted, as I hope they will be in the next session of Parliament. Would to God I could take with me Messrs. Dupont, Du Bourg and some other French Friends with their good Ladies. I might then by mixing them with my Friends in Philadelphia form a little happy Society that would prevent my ever wishing again to visit Europe."

This gives us some idea of the intimacy that existed between Franklin and the Economists. Franklin returned to Paris in 1776. But this time it was Franklin the Diplomatist. One can almost say that with the year 1770 closed Franklin's philosophical career. In a letter to the President of the Royal Society he longs "earnestly for a return of those peaceful times when I could sit down in sweet society with my English philosophical friends, communicating to each other new discoveries and proposing improvements of old ones; all tending to extend the power of man over matter, avert or diminish the evils he is subject to, or augment

[1] 2 October, 1770, *vid. Works*, (Bigelow ed.), vol. IV., p. 368.

the number of his enjoyments."[1] Philosophy with him had always been simply a means of benefiting his fellow-man. When he could do this better as a diplomatist, he very willingly set aside philosophy for diplomacy.[2]

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[1] *Vid. Works*, (Bigelow ed.), vol. VIII., p. 169.

[2] For other letters between Franklin and the French philosophers, *vid.* index to *Works*, (Bigelow ed.), vol. X., under the names Le Roy, Condorcet, Rochefoucauld, Veillard, Du Bourg, Morellet, Chaumont.

XI.—FRANKLIN AND THE ENGLISH PHILOSOPHERS.

During Franklin's first sojourn in England he was made a member of the Royal Society. Here he met the first philosophers of the country. In the summer of 1759 he made a journey to Scotland, where he became acquainted with Lord Kames, Dr. Robertson and the philosopher Hume. How much he enjoyed this visit we may know from a letter he afterwards wrote to Lord Kames. "On the whole, I must say, I think the time we spent there was six weeks of the *densest* happiness I have met with in any part of my life; and the agreeable and instructive society we found there in such plenty has left so pleasing an impression on my memory that did not strong connections draw me elsewhere, I believe Scotland would be the country I should choose to spend the remainder of my days in."[1] Franklin was not the man to let so valuable an acquaintance as that of Lord Kames to go by unimproved. We find many letters passing between them, in which each asks the other's criticism on some project. Now we find them discussing the "preferable use of oxen in agriculture," now agricultural labor as a measure of value.

Kames in one of his letters asked Franklin to send him all his publications. Franklin tried to get them, but finally had to write that he could not find them. "Very mortifying this, to an author, that his works should so soon be lost." Early in 1769 Franklin wrote to Kames that he had "thrown some of his present sentiments into the concise form of aphorisms, to be examined between us, if you please, and rejected or corrected and confirmed, as we shall find most proper." In reply to this letter Kames wrote that he had "a

[1] *Vid. Works*, (Bigelow ed.), vol. III., p. 42. Also quoted in Tytler's Life of Kames, vol. I., p. 370.

great fund of political knowledge reduced into writing, far from being ripe, but fit for your perusal. If you will come to my aid, I know not but that we shall make a very good thing of it."[1] A few months later appeared Franklin's *Positions to be Examined Concerning National Wealth*, probably strengthened and improved by the criticisms of the Scotch philosopher.

With Hume, too, Franklin corresponded for many years. After having received from Hume a copy of the *Essay on Commerce*, he wrote that it could not "but have a good effect in promoting a certain interest too little thought of by selfish man. I mean the interest of humanity, or common good of mankind."[2]

When Hume learned that Franklin was about to leave England, he wrote that he was very sorry that Franklin intended soon to leave the old hemisphere. "America has sent us many good things, gold, silver, sugar, tobacco, indigo. But you are the first philosopher and indeed the first great man of letters for whom we are beholden to her." In reply, Franklin wrote that the value of everything depends on the "proportion of the quantity to the demand." England has plenty of wisdom. Hence, Franklin says he should market his share of this commodity "where from its scarcity it may probably come to a better market."[3]

In Watson's *Annals of Philadelphia*[4] we read that "Franklin once told Dr. Logan that the celebrated Adam Smith when writing his *Wealth of Nations* was in the habit of bringing chapter after chapter as he composed it, to himself, Dr. Price, and others of the literati; then patiently hear their observations, and profit by their discussions and criticisms, even sometimes to write whole chapters anew and even to reverse some of his propositions." John Rae, in his recent

[1] *Vid. Works*, (Bigelow ed.), vol. IV., p. 224.
[2] *Vid. Works*, (Bigelow ed.), vol. III., p. 127.
[3] *Vid. Works*, (Bigelow ed.), vol. III., p. 193.
[4] Vol. I., p. 533.

Life of Adam Smith (p. 150), quotes Dr. Carlyle as saying that Franklin met Smith at a dinner given by Dr. Robertson, during Franklin's first visit to Scotland.[1] Later, Smith, in a letter to Strahan, who was one of Franklin's most intimate friends, asked to be remembered "to the Franklins" (meaning Benjamin Franklin and his son). Another letter written by Hume to Smith is interesting in this connection. It will be remembered that Franklin for a time was held in rather bad repute in London on account of the Hutchinson letters. Regarding this matter, Hume writes to Smith as follows: "Pray what strange accounts are these we hear of Franklin's conduct? I am very slow in believing that he has been guilty in the extreme degree that is pretended, though I always knew him to be a very factious man. And faction next to fanaticism is of all passions the most destructive of morality. How is it supposed that he got possession of these letters? I hear that Wedderburn's treatment of him before the Council was most cruel, without being in the least blameable. What a pity!"[2]

There can be no doubt that Smith and Franklin were acquainted with each other. But to what extent Franklin contributed to the *Wealth of Nations* it is impossible to determine. It is true that Franklin and Smith spent at least two years in London at the same time. Smith came to London in the spring of 1773 with his book, as he thought at the time, almost ready to be printed. During the next three years he made many changes, especially in the chapter on the colonies, while the passage on American wages was inserted for the first time.[3] One would naturally expect that

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[1] *Vid.* p. 50.

[2] *Vid.* Burton's *Life and Correspondence of D. Hume*, vol. II., p. 471.

[3] *Vid.* John Rae, *loc. cit.*, p. 256. It is interesting to note in this connection that Franklin later, in his *Reflections on the Augmentation of Wages*, quotes from this chapter that part which he is supposed by some to have written, the portion referring to wages in the colonies. It is the only direct quotation from the *Wealth of Nations* found in all of Franklin's economic works.

Smith, under such circumstances, would avail himself of Franklin's accurate knowledge of colonial affairs. Franklin's estimate that in the colonies the population was doubled every twenty or twenty-five years was accepted by Smith.[1] Then, too, Franklin often had occasion to defend the colonial paper currency with his pen. No doubt he understood the nature of paper money as well as any Englishman living at the time. If Smith consulted him at all, it is more than likely that he did so with reference to the chapter on money. But here at least Franklin was not very successful in causing Smith "to reverse his propositions," as Dr. Logan would have us believe. The American paper currency, which was the pride of Franklin, was characterized by Smith as "a scheme of fraudulent debtors to cheat their creditors."[2] And concerning the law forbidding the further issue of paper money in the colonies, Smith said that "no law could be more equitable than the act of Parliament so unjustly complained of in the colonies."[3] It will be remembered that it was in opposition to this law that Franklin wrote his *Remarks and Facts Relative to the American Paper Money*.[4] It may be true that Smith occasionally consulted Franklin in revising his work, but we are forced to believe that the view expressed above is very much exaggerated.

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[1] *Vid. Wealth of Nations*, Book I., ch. 8, (Bohn ed.), vol. I., p. 71.

[2] *Vid. Wealth of Nations*, Book II., ch. 2, (Bohn ed.), vol. I., p. 331.

[3] *Ibid.*, p. 332.

[4] *Vid.* p. 14.

XII.—CONCLUSION.

The subject of this essay has been described[1] as a man of expedients rather than principles, sagacious in dealing with immediately practical questions, but satisfied with the crudest speculation as to the operation of causes in any degree remote. It is further urged against him that not only did he not advance the growth of economic science, but that he seemed not even to have mastered it as it was already developed. This language is certainly too severe. Either we must be willing to give a place in economic science to Franklin, or we must deny the same privilege to all writers on economic matters who preceded Adam Smith. It is true that Franklin was largely a man of expedients, if by that we mean that he was interested in that truth which could be immediately applied for the good of mankind. But we maintain also that Franklin was a man who understood thoroughly the working of certain economic principles. No one else saw more clearly than he did the injurious effect of the many trade restrictions prevalent in the civilized world in his day. In that "great reaction of the eighteenth century against artificial conditions of life," in that movement of liberty, industrial as well as political, we claim that Franklin was one of the first as well as one of the leading factors. And it must be admitted that on the subject of population he did not always indulge in the "crudest speculations as to the operation of causes in any degree remote." No one knew better than he did the causes both of the increase of population and of the adjustment of people among the nations of the earth.

Nor can it be said that Benjamin Franklin did not master the science as it was already developed. We must remem-

[1] C. F. Dunbar, *Economic Science in North America*. North American Review, January, 1876.

ber here the fragmentary condition of English economics before 1776. The claim has already been made that Franklin was familiar with Petty's *Essay on Taxes and Contributions*. Of course there is no means of finding out how much he had read of the other early English economists. But the fact that his opinion on all economic matters (or rather politico-economic, for that is the only kind of economics that the seventeenth and eighteenth centuries knew) was sought by all the philosophers of his day is enough to prove that Franklin understood eighteenth century economics fairly well. The only system of economics of which we can speak during this period is the physiocratic system. What English-speaking man, we ask, understood this system better than Franklin?

The subject of our essay, then, was more than a man of expedients, and he had some knowledge of economic science as it had been developed up to his time. And unless this paper has been written in vain, we shall admit that some of Franklin's essays deserve a place in the history of economic literature. In his works we find the following theses:

(1) Money as coin may have a value higher than its bullion value.

(2) Natural interest is determined by the rent of so much land as the money loaned will buy.

(3) High wages are not inconsistent with a large foreign trade.

(4) Population will increase as the means of gaining a living increase.

(5) A high standard of living serves to prolong single life, and thus acts as a check upon the increase of population.

(6) People are adjusted among the different countries according to the comparative well-being of mankind.

(7) The value of an article is determined by the amount of labor necessary to produce the food consumed in making the article.

(8) While manufactures are advantageous, only agriculture is truly productive.

(9) Manufactures will naturally spring up in a country as the country becomes ripe for them.

(10) Free trade with the world will give the greatest return at the least expense.

(11) Wherever practicable, State revenue should be raised by direct taxes.

Franklin, then, deserves a place in the history of early economic literature, and especially in the history of American economics. He is the first American who deserves to be dignified by the title Economist.

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